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Allan G. Andrews, C.A.
Metropolitan Auditor

THE METROPOLITAN TORONTO LIBRARY BOARD

Report on the audit of the books and accounts for the year ended

December 31, 1983

The Municipality of
Metropolitan Toronto

Metropolitan Audit Department

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Allan G. Andrews, C.A., *Metropolitan Auditor*

August 20, 1984

**The Chairman and Members of the
Metropolitan Toronto Library Board**

I have completed my audit of the operations of the Metropolitan Toronto Library Board for the year ended December 31, 1983. The financial statements for the year then ended and my opinion thereon dated May 18, 1984 are attached at the end of this report.

The comments contained in this report are intended to give members of the Board some greater degree of detail on the financial operations of the Library Board than is contained in the financial statements. Because of the relationship of the Board to the Municipality of Metropolitan Toronto, these comments are also framed to give members of Metropolitan Council an independent overview of the fiscal operations.

The Metropolitan Toronto Library Board generally provides library and library related services in Metropolitan Toronto. Its major operation is the Metropolitan Toronto Central Library at 789 Yonge Street, where the Board's offices are also located. It also operates the Municipal Reference Library located at City Hall. These libraries are mainly of a central reference nature, as opposed to providing circulation services which generally are provided by the library boards of area municipalities.

OVERVIEW OF 1983 OPERATIONS

The net operating cost of the Board for 1983 was $17,124,678, an increase of $1,572,378 or 10.1% over the 1982 cost of $15,552,300.

Total expenditures increased by $1,312,947 to $19,082,747, primarily due to salaries and wages which increased by $950,979, a 10.3% increase over 1982 and library materials which increased by $160,846 or 9.4% over costs in 1982. The operation of the Board is labour intensive, payroll costs accounting for 53.6% of the 1983 total expenditure.

The net operating cost of the Board is funded by contributions from the Municipality of Metropolitan Toronto. Under the Municipality of Metropolitan Toronto Act, the Board is entitled to requisition funds from the Metropolitan Corporation as required up to the amount approved in the Board's estimates by Metropolitan Council. By agreement between the Metropolitan Treasurer and the Board, funds are requisitioned equal to the lesser of the net operating cost or the approved budget. Metropolitan Council approved estimates for 1983 net operating expenditures of $13,342,200 and a further $4,245,100 for debt charges, a total of $17,587,300. Actual net costs were $462,622 less than budgeted.

COSTS TO METROPOLITAN TORONTO

The total costs to the Metropolitan Corporation for funding library operations and debt charges for the past five years were as follows:

	1983	1982	1981	1980	1979
Contributions by Metro towards operating costs	$13,184,000	$11,677,000	$10,585,000	$ 8,233,000	$ 7,151,000
Debt charges	3,941,000	3,850,000	3,768,000	3,754,000	3,789,000
Special appropriation		25,000			
	$17,125,000	$15,552,000	$14,353,000	$11,987,000	$10,940,000

The debt charges relate to principal and interest payments on debentures with a total value of $28,659,775 which were issued in connection with the construction of the Central Library. At December 31, 1983, the net long term debt outstanding was $20,424,356, details of which are set out on page 14.

The following schedule compares the operations of the Metropolitan Toronto Library Board for the years 1983 and 1982.

	1983	1982	Increase (Decrease)	%
EXPENDITURE				
Operating costs				
Salaries and benefits	$10,226,398	$ 9,275,419	$ 950,979	10.3
Library materials	1,879,846	1,719,000	160,846	9.4
Supplies, utilities and equipment	948,803	858,932	89,871	10.5
Services and rents	2,082,759	2,023,446	59,313	2.9
Total operating costs	15,137,806	13,876,797	1,261,009	9.1
Debt charges	3,941,134	3,850,504	90,630	2.4
Total operating expenditure	19,078,940	17,727,301	1,351,639	7.6
Provincial special projects	3,807	42,499	(38,692)	(91.0)
TOTAL EXPENDITURE	19,082,747	17,769,800	1,312,947	7.4
REVENUE				
Province of Ontario grants	1,381,052	1,510,734	(129,682)	(8.6)
Charges to regional library systems	43,920	54,488	(10,568)	(19.4)
Charges to area library boards	49,921	29,910	20,011	66.9
Other income	483,176	622,368	(139,192)	(22.4)
	1,958,069	2,217,500	(259,431)	(11.7)
NET OPERATING COSTS	$17,124,678	$15,552,300	$1,572,378	10.1

I am setting out on the pages following further comments on selected items in the revenue and expenditure statement.

SALARIES, WAGES AND BENEFITS

These are made up as follows:

	1983	1982
Management	$ 1,296,113	$1,081,645
Librarians	1,885,031	1,793,089
Assistants	4,600,958	4,239,173
Part-time and overtime	797,654	734,992
Physical plant	304,885	279,517
Fringe benefits	1,341,757	1,147,003
	$10,226,398	$9,275,419

The increase in salaries, wages and fringe benefits of 10.2% reflects an increase of 9 people in the staff complement coupled with general salary and wage increases, which were limited to 5% by the Ontario Inflation Restraint Program, and increased cost of certain fringe benefits such as unemployment insurance and medical and dental care.

LIBRARY MATERIALS - $1,879,846 (1982 - $1,719,000)

This includes the cost of purchasing books, government documents, periodicals, records and tapes, cassettes, films and slides.

SUPPLIES, UTILITIES AND EQUIPMENT

This is made up of the following expenditures:

	1983	1982
Supplies	$ 433,857	$ 446,472
Utilities	365,765	341,726
Library furniture and equipment	121,808	49,307
Gallery exhibit material	27,373	21,427
	$ 948,803	$ 858,932

The cost of supplies includes expenditures for library stationery and forms, photocopy, printing and cataloguing supplies and supplies for building and maintenance. Items normally classified as capital in nature but purchased out of current funds are included in library furniture and equipment. The increase of $89,871 or 10.4% over 1982 expenditure results mainly from increased expenditure on furniture and equipment.

SERVICES AND RENTS

These are made up as follows:

	1983	1982
Equipment rentals and services	$ 315,458	$ 335,267
Rent - City Hall	85,185	85,185
Computer time	677,603	640,254
Consultants' fees	129,461	93,234
Building maintenance	256,940	270,226
Security	201,262	187,037
Book binding	142,913	151,784
Telephone, telegram, telex	145,272	125,690
Other expenses	128,665	134,769
	$2,082,759	$2,023,446

The increase in computer time is due mainly to additional usage for specific projects in the Retrospective Conversion Cost Centre.

The increase in consultants' fees results largely from the use of a consultant, at a cost of $58,000, to supervise data conversions and systems support in the Regional Bibliographic Products Department.

Other expenses comprise:

	1983	1982
Advertising	$ 14,443	$ 15,488
Bank charges	6,051	7,159
Membership fees	4,073	7,568
Postage and cartage	42,474	43,538
Travel and car allowance	23,350	19,523
Staff training	10,351	15,528
Bad debts	1,865	959
Sundry administrative expenses	13,258	14,006
Audit and legal fees	12,800	11,000
	$ 128,665	$ 134,769

DEBT CHARGES

Debt charges are in respect of instalment and sinking fund debentures issued to finance the Central Library building.

These are made up as follows:

	1983	1982
Interest charges on long term debt	$2,780,795	$2,810,879
Principal payments on long term debt	1,003,731	902,508
U.S. exchange on principal payments	156,608	137,117
	$3,941,134	$3,850,504

REVENUE

PROVINCE OF ONTARIO GRANTS

	1983	1982
General legislative	$1,380,141	$1,410,735
Special grants	911	99,999
	$1,381,052	$1,510,734

As a regional library board, the Metropolitan Toronto Library Board receives annually a general legislative grant which is basically based on the population and the area of Metropolitan Toronto. In 1983, this grant amounted to $1,380,141. In addition to the general legislative grant, the Board receives specific grants for certain library projects which are taken into revenue as the related expenditure is incurred. The unspent portion is deferred and carried forward to the next year.

CHARGES TO REGIONAL LIBRARY SYSTEMS - $43,920 (1982 - $54,488)

These charges represent the recovery of the cost of various project services rendered to regional library systems such as the guide to periodicals and newspapers, talking books, videotape and 16 mm film catalogues.

CHARGES TO AREA LIBRARY BOARDS - $49,921 (1982 - $29,910)

These charges represent the cost of multi-language books purchased by the library board for the area library boards' co-operative book purchase program.

OTHER INCOME

This is made up of the following:

	1983	1982
Bank interest	$ 124,638	$ 115,422
Photocopy services	232,104	195,604
Rental of meeting rooms	37,973	21,512
Fines and other charges	11,482	12,057
Bibliographic search services	21,298	17,978
Photographic services	12,219	8,482
Sale of publications	19,202	11,831
Sundry	24,260	239,482
	$ 483,176	$ 622,368

The bank interest income consists of interest on short term deposits and the Board's current account.

In 1982, the Board received a refund of $190,000 from the University of Toronto Library Automation System (UTLAS) program which was cancelled.

COMPARISON TO BUDGET

My audit of the operations of the Board includes examination of the actual revenues and expenditures reflected in the financial statements. I do not audit the Board's annual estimates nor do I perform a detailed analysis of the variances, although I may make limited enquiries concerning significant items.

Set out on the following page is a comparison of the 1983 actual expenditure and revenue with the estimates for the year. The total budget amounts are as originally approved by Metropolitan Council, including a separate appropriation for salary increases in accordance with the Corporation's usual budgetary practice, but individual items reflect reallocations of funds between expenditure appropriations which were subsequently made by the Board.

	Actual	Budget	Variance Over (Under)	%
EXPENDITURE				
Operating costs				
Salaries and benefits	$10,226,398	$10,259,500	$ (33,102)	(0.3)
Library materials	1,879,846	1,860,400	19,446	1.0
Supplies, utilities and equipment	948,803	955,300	(6,497)	(0.6)
Services and rent	2,082,759	2,189,000	(106,241)	(4.9)
Total operating costs	15,137,806	15,264,200	(126,394)	(0.8)
Debt charges	3,941,134	4,245,100	(303,966)	(7.2)
	19,078,940	19,509,300	(430,360)	(2.2)
Provincial special projects	3,807		3,807	
TOTAL EXPENDITURE	19,082,747	19,509,300	(426,553)	(2.2)
REVENUE				
Province of Ontario grants	1,381,052	1,410,700	(29,648)	(2.1)
Charges to Regional Library Systems	43,920	44,600	(680)	(1.5)
Charges to Area Library Boards	49,921		49,921	
Other income	483,176	466,700	16,476	3.5
	1,958,069	1,922,000	36,069	1.9
NET OPERATING COSTS	$17,124,678	$17,587,300	$(462,622)	(2.7)

BALANCE SHEET

I comment below on selected items of the balance sheet.

ACCOUNTS RECEIVABLE

This is made up as follows:

	1983	1982
Metropolitan Toronto School Board and Area Boards of Education	$ 115	$
Government of Canada	337	53
Province of Ontario	3,714	2,077
Other municipalities (and their local boards)	9,088	32,738
Other:		
Wintario re Kurzweil reading machines		55,449
Sundry	22,641	19,336
	$ 35,895	$109,653

PREPAID EXPENSES

This is made up as follows:

	1983	1982
Subscriptions for magazines, periodicals, etc., paid in advance	$246,908	$162,008
Prepaid machine rental and maintenance	6,607	16,164
Other		15,921
	$253,515	$194,093

CAPITAL OUTLAY TO BE RECOVERED IN FUTURE YEARS - $20,424,356 (1982 - $22,032,381)

This represents the cost of land acquisition, building construction, furniture and equipment and related expenditures for the Metropolitan Toronto Library. Under municipal accounting practice, such capital outlays are valued at the amount of the related debenture debt outstanding at the balance sheet date.

	1983	1982
Total Expenditures:		
Building	$18,447,513	$18,447,513
Land	7,575,600	7,575,600
Furniture and equipment	2,160,498	2,160,498
Moving costs	109,342	109,342
Interior plants	81,133	81,133
Landscaping	4,445	4,445
Debenture discount, exchange, etc.	512,720	512,720
	28,891,251	28,891,251
Less:		
Amount financed from current revenues in 1975	231,476	231,476
	28,659,775	28,659,775
Less:		
Instalment debt maturities	2,230,823	1,846,019
Value of sinking funds	6,004,596	4,781,375
	8,235,419	6,627,394
	$20,424,356	$22,032,381

DEFERRED REVENUE - $30,468 (1982 - $3,039)

The Board receives certain provincial grants and, from time to time, donations which are for specific purposes defined at the time the funds are received. It is the policy of the Board to take such receipts into revenue only as the related expenditures are incurred and to defer the balance. The deferred revenue represents the unexpended balance of specific provincial grants.

LONG TERM DEBT FINANCED BY THE MUNICIPALITY

This is the net long term debt outstanding at December 31, 1983, made up of instalment and sinking fund debentures issued for library purposes by the Municipality of Metropolitan Toronto, less the value of sinking funds, as follows:

	1983	1982
Total debt issued	$29,377,120	$29,377,120
Less:		
Transferred to another enterprise in 1980	717,345	717,345
	28,659,775	28,659,775
Less:		
Instalment maturities	2,230,823	1,846,019
Value of sinking funds	6,004,596	4,781,375
	8,235,419	6,627,394
	$20,424,356	$22,032,381

INSURANCE

Property damage is insured up to a maximum of $80,000,000 and coverage for public liability of $25,000,000 is maintained. Insurance is arranged through the Metropolitan Commissioner of Finance and all deductible amounts are covered by the Metropolitan Corporation self-insurance reserve fund.

METROPOLITAN AUDITOR

The Municipality of
Metropolitan Toronto

Metropolitan Audit Department

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Telephone: (416) 947-8030

Allan G. Andrews, C.A., *Metropolitan Auditor*

May 18, 1984

AUDITOR'S REPORT

To the Members
Metropolitan Toronto Library Board

I have examined the balance sheet of the Metropolitan Toronto Library Board as at December 31, 1983 and the statements of revenue and expenditure and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Board as at December 31, 1983 and the results of its operations and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted for Ontario municipalities applied on a basis consistent with that of the preceding year.

METROPOLITAN AUDITOR

METROPOLITAN TORONTO LIBRARY BOARD

BALANCE SHEET

DECEMBER 31, 1983

(with comparative figures for 1982)

	1983	1982
ASSETS		
CURRENT ASSETS		
Cash	$ 1,048,741	$ 615,295
Accounts receivable	35,895	109,653
Prepaid expenses	253,515	194,093
	1,338,151	919,041
CAPITAL OUTLAY TO BE RECOVERED IN FUTURE YEARS (note 3)	20,424,356	22,032,381
	$ 21,762,507	$ 22,951,422
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities		
Municipality of Metropolitan Toronto	$ 246,320	$ 249,378
Other	1,149,027	666,624
Deferred revenue	30,468	3,039
	1,425,815	919,041
NET LONG TERM LIABILITIES FINANCED BY THE MUNICIPALITY (note 3)	20,424,356	22,032,381
FUND BALANCES AT THE END OF THE YEAR		
Capital operations not yet permanently financed (note 4)	(87,664)	
	$ 21,762,507	$ 22,951,422

(see accompanying notes)

METROPOLITAN TORONTO LIBRARY BOARD
STATEMENT OF REVENUE AND EXPENDITURE
FOR THE YEAR ENDED DECEMBER 31, 1983
(with comparative figures for 1982)

	1983	1982
EXPENDITURE		
Salaries and benefits	$ 10,226,398	$ 9,275,419
Library materials	1,879,846	1,719,000
Supplies, utilities and equipment	948,803	858,932
Services and rents	2,082,759	2,023,446
Total operating costs	15,137,806	13,876,797
Debt charges (note 1(c))	3,941,134	3,850,504
Total operating expenditure	19,078,940	17,727,301
Provincial special projects	3,807	42,499
	19,082,747	17,769,800
REVENUE		
Province of Ontario grants	1,381,052	1,510,734
Charges to Regional Library Systems	43,920	54,488
Charges to Area Library Boards	49,921	29,910
Other income	483,176	622,368
	1,958,069	2,217,500
NET OPERATING COST	$ 17,124,678	$ 15,552,300
FUNDED BY		
Contributions by Municipality of Metropolitan Toronto		
General appropriation (note 2)	$ 17,124,678	$ 15,527,300
Canada/Ontario Employment Development Program		25,000
	$ 17,124,678	$ 15,552,300

(see accompanying notes)

METROPOLITAN TORONTO LIBRARY BOARD

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED DECEMBER 31, 1983

(with comparative figures for 1982)

	1983	1982
SOURCE OF CASH		
Contribution by the Municipality of Metropolitan Toronto	$ 17,124,678	$ 15,552,300
Increase (decrease) in accounts payable other	482,403	(387,377)
Decrease in accounts receivable Municipality of Metropolitan Toronto		1,010,988
Other	73,758	10,763
Increase (decrease) in deferred revenue	27,429	(41,507)
	17,708,268	16,145,167
APPLICATION OF CASH		
Net operating costs	17,124,678	15,552,300
Increase in prepaid expenses	59,422	29,961
Decrease (increase) in accounts payable Municipality of Metropolitan Toronto	3,058	(249,378)
Capital operations not yet permanently financed	87,664	
	17,274,822	15,332,883
NET INCREASE IN CASH	433,446	812,284
CASH (BANK INDEBTEDNESS), BEGINNING OF YEAR	615,295	(196,989)
CASH END OF YEAR	$ 1,048,741	$ 615,295

(see accompanying notes)

METROPOLITAN TORONTO LIBRARY BOARD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1983

1. ACCOUNTING POLICIES

(a) Fixed Assets

The Board has adopted the basis used by municipalities in Ontario in its accounting for fixed assets. Under this basis, historical cost is not used for reporting purposes and depreciation related to that cost is not recorded in the accounts. Instead, fixed assets are valued at the aggregate of the principal portion of unmatured long term debt reported on the Balance Sheet as "Capital outlay to be recovered in future years".

(b) Library Collections and Supplies

Library collections and supplies are charged to expense in the year of purchase.

(c) Charges for Net Long Term Liabilities

Debt servicing costs, including principal and interest, are charged against current revenues in the periods in which they are paid, in accordance with municipal accounting practice. Interest charges are not accrued for the periods from the dates of the latest interest payments to the end of the fiscal year.

(d) Liabilities Payable in Foreign Currencies

Long term debt payable in foreign currencies is translated into Canadian funds at the exchange rate prevailing at the time the debt was incurred by the Municipality of Metropolitan Toronto.

2. CONTRIBUTION FROM THE MUNICIPALITY OF METROPOLITAN TORONTO

The Library Board is entitled under The Municipality of Metropolitan Toronto Act to requisition funds from the Metropolitan Corporation as required up to the amount approved in the Board's estimates by Metropolitan Council.

By agreement between the Metropolitan Treasurer and the Board, funds are contributed by the Metropolitan Corporation equal to the lesser of net operating costs or the approved budget.

3. NET LONG TERM LIABILITIES FINANCED BY THE MUNICIPALITY

The Municipality of Metropolitan Toronto issues debentures for library capital purposes, as required. Capital outlay from the proceeds of these debentures and the related liability are carried in the accounts of the Board as set out in note 1 (a).

	1983	1982
Outstanding instalment and sinking fund debentures	$ 26,428,952	$ 26,813,756
Value of sinking funds	6,004,596	4,781,375
Net long term liabilities	$ 20,424,356	$ 22,032,381

3. (cont'd.....)

Principal payments of net long term liabilities in five-year intervals are as follows:

1984 to 1988	$5,352,625
1989 to 1993	$6,085,625
1994 to 1997	$2,823,202

Included in net long term liabilities is an amount of $22,268,952 (1982 - $22,397,740) payable in U.S. dollars which was translated into Canadian dollars at the rate of exchange prevailing when the liability was incurred. If the liability is translated into Canadian dollars at the exchange rate prevailing at December 31, 1983, the liability would be increased by $5,399,500 (1982 - $3,786,962).

4. CAPITAL OPERATIONS NOT YET PERMANENTLY FINANCED

Approval of the Ontario Municipal Board has been obtained for the pending issue of long term liabilities.

5. CONTRACTUAL OBLIGATIONS

The Board is committed to pay approximately $85,000 annually for rental of real property under a lease expiring in 1988.

6. PENSION PLANS

The Metropolitan Toronto Library Board has pension plans covering all permanent employees. The cost of funding current service pension benefits is charged to operations as incurred. Unfunded liabilities, as determined by actuarial valuation, are funded by annual payments which are charged to operations over the period recommended by the actuary and in accordance with regulatory requirements. As at December 31, 1983, the unfunded liability of the Board's pension plans amounted to $284,000 (1982 - $331,000) based on the latest actuarial valuation and is being funded by annual payments over various periods ending 1991.

7. LIABILITY FOR VESTED SICK LEAVE BENEFITS

Under the Sick Pay Credit Plan for employees of the Board, unused sick leave credits accumulate, and employees with specified minimum service requirements become entitled to a cash payment on resignation, retirement or death. It is the policy of the Board to meet the costs of such payments from the revenue of the year in which the liability becomes payable. No liability has been recorded in respect of unused sick leave credits as at December 31, 1983, but the estimated liability for such accumulated credits, to the extent that they could be taken in cash by employees on termination of service, amounted to $607,480 (1982 - $527,694).

8. COMPARATIVE FIGURES

Certain of the 1982 figures presented here for comparative purposes have been reclassified to conform with the current year's presentation.

POOR

QUALITY

ORIGINAL